

Annual Report
2009-10



English Indian Clays Limited



English Indian Clays Limited

CHAIRMAN

MR. KARAN THAPAR

DIRECTORS

MR. S. N. DUA
MR. S. K. TOSHNIWAL
MR. J. K. JAIN
MR. VIJAY RAI

EXECUTIVE DIRECTOR

MR. RAHUL GUPTA

SR. VICE PRESIDENT

CORPORATE FINANCE ACCOUNTS &
ADMINISTRATION

MR. S. K. JAIN

COMPANY SECRETARY &

HEAD (CORPORATE LEGAL)

MR. P. S. SAINI

AUDITORS

M/S. PRICE WATERHOUSE
CHARTERED ACCOUNTANTS

BANKERS

AXIS BANK LIMITED
ORIENTAL BANK OF COMMERCE
STATE BANK OF INDIA
YES BANK LIMITED

REGISTERED OFFICE

TC-79/4, VELI,
THIRUVANANTHAPURAM-695 021
KERALA

CORPORATE OFFICE

801-803, TOWER-B, 8TH FLOOR,
GLOBAL BUSINESS PARK,
MEHRAULI-GURGAON ROAD,
GURGAON-122 001 (HARYANA)

WORKS

THIRUVANANTHAPURAM (KERALA)
YAMUNANAGAR (HARYANA)
PUDUCHERRY (U.T.)

THE SHARES OF THE COMPANY ARE LISTED ON BOMBAY STOCK EXCHANGE
LISTING FEE FOR THE YEAR **2010-2011** PAID TO BOMBAY STOCK EXCHANGE LTD.

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DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2010

To,
The Members:

Your Directors are pleased to present the Annual Report with audited statement of accounts for the year ended 31st March, 2010.

(Rs. in Crores)

	31st March 2010	31st March 2009
Gross operating Profit (before interest and depreciation)	69.95	53.22
Less : Interest	13.60	13.94
Gross Profit before Depreciation	56.35	39.28
Less : Depreciation	11.85	10.26
Profit for the year	44.50	29.02
From which is deducted :		
- Provision for Taxation		
Current Tax	13.91	5.28
Fringe Benefit tax	—	0.25
Short (Excess) Provision adjusted	0.09	0.36
Deferred Tax	1.09	4.12
Profit after Tax	29.41	19.01
To which is added :		
- Balance brought forward from the previous year	18.33	17.37
Leaving a balance of	47.74	36.38
Which your Directors recommend to be appropriated As under :		
Interim Dividend Paid		
- @ Rs.Nil per Preference Share on 10%		
Preference Shares of Rs.100/- each (previous year Rs.10/- per Share on pro-rata)	—	0.83
- Rs.5.50 per Preference Share on 2000000 11%	1.10	1.10
Preference Shares of Rs.100/- each (last year Rs.5.50)		
- Rs.2.75 per Preference Share on 1000000 11%	0.28	—
Preference Shares of Rs.100/- each on pro-rata basis (last year Nil)		
- @ Rs.5/- per Equity Share of Rs.10/- each (last year Nil)	2.23	—
Proposed Dividend		
- @ Rs.5.50 on 2000000 11% Preference Shares of Rs.100/- each (last year Rs.5.50)	1.10	1.10
- Rs.2.75 per Preference Share on 1000000 11%	0.28	—
Preference Shares of Rs.100/- each on pro-rata basis (last year Nil)	2.23	2.23
- @ Rs.5/- per Equity Share of Rs.10/- each (last year Rs.5/- per Share)		
Tax on Dividend	1.21	0.89
Transfer to General Reserve	2.94	1.90
Transfer to capital redemption reserve	—	10.00
Carried forward to next year's account	36.37	18.33

DIVIDEND

During the year, your Directors had paid an interim dividend @ Rs. 5/- per Equity Share on 4468979 Equity Shares, face value Rs.10/- each, amounting to Rs.2,23,44,895/-, @ Rs.5.50 per Preference Share on 20,00,000 11% Cumulative Redeemable Preference Shares, face value of Rs.100/- each, amounting to Rs. 1,10,00,000/- and @ Rs.2.75 per Preference Share on 10,00,000 11% Cumulative Redeemable Preference Shares, face value of Rs.100/- each (allotted on 1-10-2009) amounting to Rs. 27,50,000/- (pro rata for 3 months).

Your Directors are pleased to recommend a final dividend @ Rs.5/- per Equity Share on 4468979 Equity Shares, face value Rs.10/- each, amounting to Rs.2,23,44,895/-, @ Rs.5.50 per Preference Share on 20,00,000 11% Cumulative Redeemable Preference Shares, face value of Rs.100/- each, amounting to Rs. 1,10,00,000/- and @ Rs.2.75 per Preference Share on 10,00,000 11% Cumulative Redeemable Preference Shares, face value of Rs.100/- each (allotted on 1-10-2009) amounting to Rs. 27,50,000/- (pro rata basis). The total outgo on account of dividend including dividend tax of Rs.1,21,29,238/- will be Rs.8,43,19,028/-.

CAPITAL

During the year under review, the Company issued and allotted 10,00,000 11% Cumulative Redeemable Preference Shares of Rs.100/- each aggregating to Rs.10,00,00,000/- to M/s Karun Carpets Pvt. Ltd. on 1st October, 2009. The existing Issued, Subscribed and Paid up Capital is Rs.34,46,89,790/- consisting of Preference Share Capital of Rs.30,00,00,000/- and Equity Share Capital of Rs.4,46,89,790/.

PROPOSED CHANGES IN THE SHARE CAPITAL

With a view to boost liquidity of the shares in the market and make available more floating stock in the hands of shareholders of the Company, the Board of Directors of the Company has recommended;

- a) to sub-divide 1 (one) Equity Share of Rs.10/- each fully paid up into 5 (five) Equity Shares of Rs.2/- each fully paid up;
- b) to issue Bonus shares to the existing Equity Shareholders of the Company in the ratio of 5:4 i.e. 5 (five) Bonus Equity Shares of Rs.2/- each for every 4 (four) Equity Shares of Rs.2/- each held as on the Record Date/Book Closure.

In view of the aforesaid proposal and considering the plans of the Company to raise money through Equity Shares for its future capital expenditure requirement, the Authorised Share Capital of the Company is proposed to be increased from Rs.38,00,00,000/- to Rs.48,00,00,000/- by creation of additional 1,00,00,000 Equity Shares of Rs.10/- each.

More detail in respect of the aforesaid proposals is provided in the notice of the Annual General Meeting.

OPERATIONS

The year under review witnessed sustained recovery from the global economic recession and the overall performance of the company was impacted positively. Your Company registered a sales growth of 18% with a turnover of Rs.343 Crores as against Rs.290 Crores in the previous year. The Profit from operations (PBDIT) excluding other income has increased significantly from Rs.53

Crores to Rs. 70 Crores, an increase of 32% over the previous year. Profit after tax increased from Rs.19 Crores to Rs. 29 Crores an increase of 53%. A detailed review of the operation and performance of clay and starch business is contained in the Management Discussion & Analysis Report which is appended to the Directors' Report and forms part of it.

EXPORTS

The value of exports of your company has increased from Rs.31 Crores to Rs.36 Crores, an increase of 16% over the previous year, in line with the global recovery from recession. In terms of volume, exports increased to 17634 MT from 16555 MT, registering an increase of about 6%.

NEW PLANT

Starch Plant

The Speciality Starch Project at Shimoga which was put on hold during 2009-10 due to the global economic recession, is under continuous review of the Company and may be revived during the next financial year in view of the improved economic conditions. As reported earlier, the Company has already taken possession of 66 Acres of land at Shimoga and has so far incurred an expenditure of about Rs.10.83 Crores on the project.

RESEARCH & DEVELOPMENT ACTIVITIES

Your Company continues to lay emphasis on R&D activities. The Company's R&D units continue to play a defined role in new product development, application support to the customer, as well as technical support to plant operations.

Particulars with respect to R&D activities carried out, benefits derived, and the expenditure incurred thereon during the year under review are provided in Form B annexed to this report and form part of this report.

FIXED DEPOSITS

On 31st March, 2010 fixed deposit amounting to Rs. 15,95,000/- which became due for repayment had remained unclaimed by 39 depositors.

CORPORATE GOVERNANCE

The Company has complied with the code on corporate governance as prescribed by the Securities & Exchange Board of India (SEBI) and had taken all necessary steps to ensure that the guidelines prescribed by SEBI in this regard are fully complied with. A compliance report alongwith Auditor's Certificate and the management discussion and analysis is appended herewith.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

As required under rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the particulars relating to Conservation of Energy and detail of Technology absorption in respect of Starch Division is annexed herewith in Form A.

The company has recorded export earnings of Rs. 17.16 Crores and remittance of foreign currency equivalent to Rs. 22.97 Crores towards various purposes details of which have been incorporated in the Notes to Accounts No. 3 to 5 of Schedule 23(B).

DIRECTORS

Mr. S.K. Toshniwal and Mr. Vijay Rai, Directors being longest in the Office, are liable to retire by rotation and are eligible for reappointment. Their appointments are recommended for your approval. The Profile of Mr. S.K. Toshniwal and Mr. Vijay Rai seeking reappointment, forms part of the Corporate Governance Report.

Mr. D. Kohli, Managing Director of the Company ceased to be the Managing Director/ Director w.e.f. 31-03-2010 as per the terms of his appointment. Mr. D. Kohli had been associated with the Company in different positions over a period of 20 years. The Board places on record its appreciation for the invaluable service rendered by Mr. D. Kohli during his association with the Company.

PROMOTER GROUP

The Company is a part of B.M. Thapar Group. The Promoter Group holding in the Company currently is 79.91% of the Company's Equity Capital. The Members may note that B.M. Thapar Group, inter alia, comprise of the following Companies (1) Greaves Cotton Ltd., (2) Premium Energy Transmission Ltd., (3) Pembril Industrial & Engineering Company Pvt. Ltd., (4) DBH International Pvt. Ltd. (5) Karun Carpets Pvt. Ltd., (6) Greaves Leasing Finance Ltd., (7) Bharat Projects Pvt. Ltd., (8) Dee Greaves Ltd., (9) KCT Chemicals & Electricals Ltd., (10) Standard Refinery & Distillery Ltd., (11) Bharat Starch Products Ltd., (12) DBH Global Holdings Ltd., (13) DBH Investments Pvt. Ltd., (14) Greaves Farymann Diesel GmbH (15) DBH Consulting Ltd. (16) Greaves Auto Ltd. and (17) Greaves Cotton Netherlands B.V.

PARTICULARS OF EMPLOYEES UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956

Name of the employees as covered under Section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of employees) Rules, 1975 as amended upto date are attached herewith and form part of Directors' Report, as Annexure 'A'.

AUDITORS

M/s Price Waterhouse, Chartered Accountants, the existing Auditors retire and are eligible for reappointment. Their appointment is recommended for your approval.

RESPONSIBILITY STATEMENT

Pursuant to the requirements of section 217 (2AA) of the Companies Act, 1956, it is hereby confirmed;

- a) That the Company has followed the applicable accounting standards in the preparation of the Annual Accounts for the year ending 31-03-2010 and there is no material deviation from the previous year.
- b) That the Company has selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company for the year ended 31st March, 2010 and of the profit of the year ended 31.03.2010.
- c) That the Company has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and;

- d) That the Annual Accounts are prepared on a going concern basis.

CORPORATE SOCIAL RESPONSIBILITY

Your Company continued to pursue its agenda on social responsibility through rain water harvesting scheme under which water is provided free of cost to neighbouring villages around Thonnakkal mines. The Company also conducts regular medical camps for the nearby villagers.

HUMAN RESOURCES

Your Company has successfully aligned human capital with business and organizational objectives. The emphasis has been on team work, skill development and management labour relations.

INDUSTRIAL RELATIONS

The Board of Directors places on record their deep appreciation of the dedicated efforts and valuable contribution made by employees of the Company at all levels. The Industrial relations were cordial at all units of the Company.

ACKNOWLEDGEMENT

The Board of Directors takes this opportunity to sincerely express their appreciation for the continued support and confidence received from Banks/Financial Institutions viz. Axis Bank Ltd., Oriental Bank of Commerce, State Bank of India, State Bank of Indore, Yes Bank Ltd. and Life Insurance Corporation of India, and Central and State Governments and other Government authorities.

The Directors are also thankful to the stakeholders for their continued support to the Company.

FOR AND ON BEHALF OF THE BOARD

Place : Gurgaon
Date : 18-05-2010

**Sd/-
(RAHUL GUPTA)
Executive Director**

**Sd/-
(VIJAY RAI)
Director**

ENERGY CONSERVATION STATEMENT
STARCH UNIT (YAMUNANAGAR & PUDUCHERRY)
FORM – A

Power & Fuel Consumption	Current Year ended 1/4/2009 to 31/3/2010	Previous Year ended 1/4/2008 to 31/3/2009
1. Electricity		
a. Purchased		
Units (KWH)	11,378,820	13,631,493
Total amount (Rs. Lacs)	467.72	574.66
Rate/Unit	4.11	4.22
b. Own Generations		
(i) Through Diesel Generator sets		
Units (KWH)	1,311,161	2,142,949
Units/ Ltr of diesel	3.03	3.21
Cost/unit (Rs)	10.15	9.93
(ii) Through CO-Genearation Power Plant (Units)	3,376,602	1,240,583
2. Fuel		
a. Coal and Lignite		
Quantity (MT)	1,277	3,498
Total Cost (Rs. Lacs)	73.05	188.31
Average rate/MT (Rs.)	5,721	5,383
b. Agro waste - Husk, Wood waste etc.		
Quantity (MT)	33,626	14,785
Total Cost (Rs. Lacs)	676	308
Average rate/MT (Rs.)	2,011	2,083
c. Furnace Oil		
Quantity (per '000 KL)	220	495
Total Cost (Rs. Lacs)	62.08	141.04
Average rate (Per KL) (Rs)	28,240	28,499
Consumption/MT of production		
i) Electricity (UNITS/MT)	267	288
ii) Fuel		
a. Coal and Lignite (Kg)	21.2	59.2
b. Agro waste - Husk, Wood waste etc. (Kg)	558.6	250.3
c. Furnace Oil (KL)	3.7	8.4

F O R M – B

1. Specific Areas in which R & D Carried out by the Company.

Clay Division

- a) New process route developed for improving the clay recovery.
- b) Developed new products for paint and rubber applications.
- c) Developed new cost effective bleaching technique

Starch Division

- a) Developed of new surface sizing starch for writing / printing application.
- b) New Process route developed for quality improvement in wet end starch manufacture.
- c) Developed emulsifier for ASA sizing.

2. Benefits derived as a result of the above Research & Development :-

Clay Division

- a) Raw matrix saving.
- b) New Business Development.

Starch Division

- a) New Business Development.
- b) Manufacturing cost reduction and quality improvement.
- c) Import substitution.

3. Future Plan of Action :-

Clay Division

- a) Conservation of raw matrix.
- b) Development of products for new applications.

Starch Division

- a) Development of import substitute products for Pharma and Poultry industry.
- b) Development of alternative process route for improving efficiency of Starch Syrup manufacturing.

4. Expenditure on R & D :-

	31st March, 2010 (Rs.)	31st March, 2009 (Rs.)
a) Capital	23,10,157	56,75,998
b) Recurring	1,28,30,110	1,10,42,624
c) Total	1,51,40,267	1,67,18,622
d) Total R&D Expenditure as a percentage of total turnover	0.44%	0.58%